GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:182
ANSWERED ON:29.07.2016
Domestic Capital Investment
Hegde Shri Anant Kumar Dattatreya

Will the Minister of FINANCE be pleased to state:

(a) the details of total domestic capital investment and foreign capital investment separately during the last three years;

(b) whether the Government has plans to encourage domestic capital investments and if so, the details thereof;

(c) the measures taken or proposed to be taken to increase domestic capital investment; and

(d) whether adequate steps have been taken to strengthen economic credentials and make India strongest economies of the world, if so, the details thereof?

Answer

FINANCE MINISTER
(SHRI ARUN JAITLEY)

(a)to(d): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO
LOK SABHA STARRED QUESTION NO. 182
BY SHRI SHRI ANANTKUMAR HEGDE DUE FOR ANSWER ON JULY 29, 2016

Gross capital formation (GCF), in other words investment, in the economy is composed of gross fixed capital formation (GFCF), change in stocks and valuables. The major components of GFCF are construction and accumulation of machinery and equipment. Net acquisition of valuables covers precious articles, gems and stones, silver, gold, platinum and gold and silver ornaments. The position of investment and its components during 2012-13 to 2015-16 is presented in the following table.

Gross capital formation (investment) in the economy
and its components at current prices (in Rs. crore)

	2012-13*	2013-14*	2014-15@	2015-16 ^
Gross capital formation	3842743	3911601	4276158	#
(i) Gross fixed capital formation	3321413	3564320	3844366	3972401
(ii) Change in stocks	212363	179971	220557	234444
(iii) Valuables	273775	162982	192663	187461

Source: Central Statistics Office
Note: The sum of GFCF, change in stocks and valuables does not add up to GCF because of errors and omissions.
Note: * Second Revised Estimates @ First Revised Estimates ^ provisional estimates
The GCF for the year 2015-16 has not yet been published by the Central Statistics Office.

Investment can be partly or fully financed by gross savings in the economy. The shortfall, if any, in gross savings is met from net capital inflow from the rest of the world. The saving investment balance mirrors the current account balance in the Balance of Payments. The current account deficit is financed by net capital inflows like foreign direct investment, foreign portfolio investment, etc. The latest year for which the information on financing of gross capital formation is available is 2014-15. The information for three years from 2012-13 to 2014-15 is presented in the following table:

Sources of financing of Financing of gross capital formation
gross capital formation (percentage share)
(in Rs. crore)

Items	2012-13*	2013-14*	2014-15 @	2012-13*	2013-14*	2014-15@
Gross Savings	3364823	3725046	4116700	87.6	95.2	96.3
Net capital inflow from the rest of the world	477920	186555	159458	12.4	4.8	3.7

Source: Central Statistics Office
Note: * Second Revised Estimates @ First Revised Estimates

Encouraging domestic investment and enterprise is one of the focus areas of the Government. The complementarities built around the flagship Make-in-India programme, including comprehensive measures for improving the ease of doing business, Skill India and Digital India initiatives; encouragement to budding entrepreneurial talent under the Start-up India and Stand-up India Initiatives; and, an investor friendly ecosystem for business and investment-related clearances and compliance are expected to encourage domestic enterprise. The Government's focus on rural infrastructure; the launch of innovative financial vehicles such as Infrastructure Debt Funds, Real Estate Investment Trusts/Infrastructure Investment Trust and National Infrastructure Investment Fund; creation of a framework for municipal bonds and issuance of Tax Free Bonds; etc., will help bridge the infrastructure deficit and create a congenial atmosphere for private investment. Besides, Railways have substantially increased their investment allocations. This, combined with the increased allocations in the road sector, will give a boost to transport infrastructure. The steps taken by the Government to foster economic growth, price stability and fiscal prudence have improved the overall macroeconomic stability, which brightens the investment climate in the country. The initiatives like passage of the Insolvency and Bankruptcy Code, 2016 consolidating the laws relating to insolvency of companies and limited liability entities, unlimited liability partnerships and individuals into a single legislation; the phased program for bank recapitalization; specific measures for textiles industry; and, the system of e-auction of coal mines being successfully implemented by the Government to bring about transparency in the allocation of coal mines will also encourage investment in the country.

The Government's systematic focus on economic growth and macroeconomic stability and the measures taken in this regard have made India one of the fastest growing major economies in the world. The efforts to simplify business and investment-related clearances, fast-track governance reforms and development of skills have helped India improve its ranking in the ease of doing business index, as per the World Bank Group''s Doing Business Report, 2016. The comprehensive reforms in foreign direct investment (FDI) have resulted in the highest ever FDI inflows in 2015-16.

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